

TOURISM TRANSFORMING PROPERTY OWNERSHIP

Shared and fractional holdings gather force as island province recovers

THE NATION
Phuket

A research report on Phuket's hotel and property market has referred to shared ownership as a "sleeping giant" for the tourist island's future.

The report, by hospitality consulting firm C9 Hotelworks, says Phuket's tourism industry is well on the way to recovery, and the shared-ownership business model is a "natural accompaniment" to the burgeoning industry.

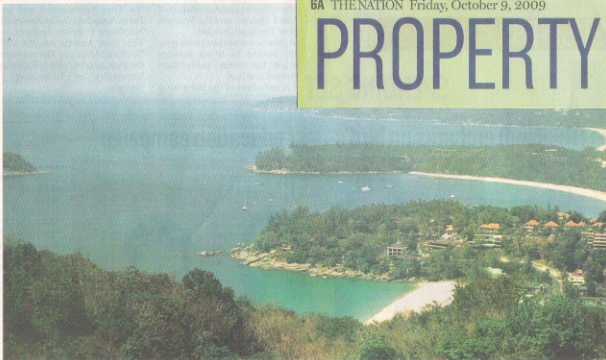
Shared-ownership sales on Phuket amounted to US\$61.2 million (Bt2 billion) in 2008, validating the sector's stability despite the economic downturn.

With a total customer base of 22,498, the developing industry, while still in its early years, is the sleeping giant of the island's hotel and property market, said C9 Hotelworks' managing director Bill Barnett.

"The emergence of fractional ownership of properties and yachts is becoming a notable component of the real estate landscape on the island," he said.

Laguna Phuket managing director Michael Ayling said the Laguna Holiday Club vacation ownership unit had gone from strength to strength over the past five years, despite volatility in the tourism and real-estate sectors.

C9 Hotelworks said the current size of the shared ownership market was 554 accommodation units, with vacation ownership holding an 87-per-cent market share in the first half of 2009, and fractional sales moving up to 13 per cent. The volume of



A BIRD'S-EYE view of Phuket, one of Thailand's leading tourist destinations.

vacation ownership sales in the first half of this year was estimated at Bt722 million, with fractional property revenue of Bt112 million.

The firm's study also revealed an emerging business in fractional ownership of yachts, with \$2.8 million in sales turnover despite the market having opened as recently as 2007.

Yacht fractional-ownership transactions in the first eight months of this year were estimated to be worth Bt37.4 million.

In the Phuket market, ownership is divided into 10 fractional shares and each

share represents 28 usage days. Booking restrictions control owners' usage, such as defining an advanced booking period and enforcing periodic usage within a year.

Yachts are sold by local entities with complementary businesses such as hotels, properties or marinas.

C9 Hotelworks said that to date there had been no domestic Thai transactions. More than 80 per cent of buyers were British, French or Scandinavian. More than half of the buyers reside either full- or part-time in Asia.

The firm explained that in the days

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beyond the owners' entitlements, the yachts were available for private charter, with daily revenue ranging from Bt150,000 to Bt200,000. This was offset against the owners' annual maintenance costs.

Referring to Phuket's real-estate market more generally, Barnett said that while consumer spending was in retreat and this year's revenue would fall short of that in 2008, there was a greater emphasis on lower entry points, financing options and an increase in domestic customers. These factors were likely to provide a sound performance during current difficult times.